

Message Text

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ORIGIN SNM-05

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FOR US CND REP M. FALCO

E.O. 11652: NA

TAGS: SNAR

SUBJECT: INTERNATIONAL NARCOTICS AND THE IFIS

1. IBRD PRESIDENT MCNAMARA RESPONDED FEBRUARY 1 TO ACTING TREASURY SECRETARY LETTER OF DECEMBER 28, 1977, BY STATING THAT "IN AGREEMENT WITH COUNTRIES CONCERNED THE BANK IS PREPARED TO STRONGLY SUPPORT EFFORTS TO DEVELOP VIABLE PROJECTS WHICH WOULD LEAD TO A REDUCTION IN POPPY AND COCA CULTIVATION."

2. BANK REITERATES ITS VIEWS CONCERNING DIFFICULTIES IN TRYING TO DESIGN EFFECTIVE CROP SUBSTITUTION PROGRAMS AND STATES IT IS ESSENTIAL THAT A BROAD BASED RURAL DEVELOPMENT APPROACH BE EMPLOYED TO REDUCE DRUG CROP PRODUCTION IF COSTLY FAILURES ARE TO BE AVOIDED. UNFDAC UNCLASSIFIED

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SUPPORTED RURAL DEVELOPMENT APPROACH DURING NOVEMBER IBRD/UNFDAC DISCUSSIONS WHEN AGREEMENT REACHED THAT BANK'S COUNTRY APPROACH "LARGELY COMPLEMENTS" UNFDAC'S MULTI-COUNTRY REGIONAL ACTION PROGRAM.

3. TEXT OF MCNAMARA LETTER TO SOLOMON FOLLOWS:

4. QUOTE. IN YOUR LETTER OF DECEMBER 28, 1977, YOU ASKED OUR VIEWS ON THE ROLE OF THE INTERNATIONAL FINANCIAL

INSTITUTIONS IN MEETING THE WORLD DRUG PROBLEM, IN PARTICULAR, THROUGH "ASSISTING COUNTRIES TO IDENTIFY ECONOMIC DEVELOPMENT PROJECTS WHICH WOULD PROVIDE FARMERS AND OTHERS DEPENDENT ON THE ILLICIT CULTIVATION OF NARCOTIC PLANTS WITH ALTERNATIVE ECONOMIC AND SOCIAL OPPORTUNITIES." THIS RAISES ISSUES WHICH HAVE BEEN OF SERIOUS AND CONTINUING CONCERN TO THE BANK. I REGRET THE DELAY IN OUR RESPONSE, DUE TO THE ABSENCE FROM WASHINGTON OF THE STAFF MOST DIRECTLY CONCERNED WITH THESE QUESTIONS.

I FULLY SHARE YOUR CONCERNS AND WE SHALL CONTINUE TO EXPLORE THE POSSIBILITIES ALONG THE LINES SUGGESTED IN YOUR LETTER. I AM SURE YOU UNDERSTAND THERE ARE FORMIDABLE DIFFICULTIES IN TRYING TO DESIGN EFFECTIVE MEASURES IN THIS AREA. EFFORTS TO SUBSTITUTE OTHER CROPS MAY NOT SUCCEED BECAUSE OF THE COMPARATIVELY HIGH INCOME GENERATED BY DRUG CROPS AND THEIR SUITABILITY TO THE PHYSICAL AND SOCIO-ECONOMIC ENVIRONMENTS IN WHICH THEY ARE BEING GROWN. PROFIT MOTIVATED FARMERS MAY RESIST SHIFTING TO LESS REMUNERATIVE CROPS WHICH MAY BE MORE DIFFICULT TO CULTIVATE OR TO TRANSPORT TO MARKET. FURTHERMORE THE MIDDLE-MAN PROFITS IN DRUG TRAFFIC ARE UNCLASSIFIED

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OFTEN SO LARGE THAT SIGNIFICANT INCREASES IN PRODUCER PRICES CAN BE ABSORBED SHOULD CROP COMPETITION CAUSE THE SUPPLY TO DECLINE. PAYMENT OF SUBSIDIES TO FARMERS WHO DO NOT CULTIVATE DRUG CROPS MUST BE SUPPORTED BY A STRONG INSPECTION SYSTEM TO AVOID MISAPPLICATION OF FUNDS. DIRECT PROHIBITION OF DRUG CROP CULTIVATION IS OFTEN VIRTUALLY IMPOSSIBLE IN REMOTE, INACCESSIBLE AREAS.

IT, THEREFORE, APPEARS ESSENTIAL THAT A BROAD BASED RURAL DEVELOPMENT APPROACH BE EMPLOYED IN ATTEMPTING TO REDUCE THE PRODUCTION OF DRUG CROPS. THE REMOTE AREAS WHERE THE CROPS ARE GROWN NEED TO BE OPENED UP BY BUILDING RURAL ROADS WHICH FACILITATE ENFORCEMENT OF CONTROL MEASURES, PROVIDE ACCESS FOR AGRICULTURAL AND SOCIAL SERVICES STAFF AND EASE THE TRANSPORTATION OF USUALLY MORE BULKY ALTERNATIVE CROPS TO MARKET CENTERS. SECURITY OF TENURE FOR FARMERS NEEDS TO BE INCLUDED TO ENCOURAGE LONG-TERM IMPROVEMENT TO THE LANDS THEY CULTIVATE. SOCIAL AMENITIES MUST BE PROVIDED. IMPLEMENTATION OF SUCH A PROJECT MUST BE PRECEDED BY ADEQUATE PREPARATION IN WHICH EACH COMPONENT IS THOROUGHLY STUDIED TO ENSURE THAT THE SOLUTIONS ADOPTED ARE BOTH ECONOMICALLY AND SOCIALLY ACCEPTABLE. WHILE SUCH STUDIES ARE TIME

CONSUMING, THEY ARE ESSENTIAL IF COSTLY FAILURES ARE TO BE AVOIDED.

THIS RURAL DEVELOPMENT APPROACH TO THE PROBLEM WAS SUPPORTED BY STAFF OF THE UN FUND FOR DRUG ABUSE CONTROL WITH WHOM BANK STAFF DISCUSSED WHAT WE COULD DO LAST NOVEMBER. DURING THESE DISCUSSIONS IT WAS AGREED THAT THE BANK'S COUNTRY APPROACH LARGELY COMPLEMENTS THE UN FUND'S MULTI-COUNTRY REGIONAL ACTION PROGRAM.

WITH REGARD TO THE POSSIBLE COFFEE PROJECT IN A POPPY UNCLASSIFIED

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GROWING AREA IN THAILAND, WHICH YOU MENTION IN YOUR LETTER, PREPARATION IS CONTINUING BUT PROGRESS HAS BEEN SLOW. COORDINATION AMONG THE VARIOUS AGENCIES WHICH MUST BE INVOLVED IS DIFFICULT. WHILE GOVERNMENT IS IN PRINCIPLE COMMITTED TO SUCH A PROJECT, IT MAY GIVE IT SOMEWHAT LOWER PRIORITY THAN IS WARRANTED, POSSIBLY BECAUSE THE PRINCIPAL BENEFICIARIES FROM THE PROJECT WOULD BE OUTSIDE THE COUNTRY'S POLITICAL AND ECONOMIC MAIN STREAM. WE HOPE TO BEGIN IMPLEMENTATION OF THIS FIRST PROJECT LATER THIS YEAR.

IN SUMMARY, IN AGREEMENT WITH THE COUNTRY CONCERNED, THE BANK IS PREPARED TO STRONGLY SUPPORT EFFORTS TO DEVELOP VIABLE PROJECTS WHICH WOULD LEAD TO A REDUCTION IN POPPY AND COCA CULTIVATION. WHERE THE BANK CAN ASSIST IN PROVIDING AN EFFECTIVE ALTERNATIVE FOR THE DRUG PLANT GROWERS, THE BANK WILL ATTEMPT TO OBTAIN ASSURANCES FROM THE GOVERNMENT THAT IT WILL TAKE ALL REASONABLE ACTIONS TO PREVENT CONTINUING DRUG PLANT CULTIVATION IN THE PROJECT AREA. END QUOTE. VANCE

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